

## Message Text

LIMITED OFFICIAL USE

PAGE 01 BOGOTA 08493 211821Z

53

ACTION ARA-20

INFO OCT-01 ISO-00 SP-03 AID-20 EB-11 NSC-07 RSC-01

CIEP-03 TRSE-00 SS-20 STR-08 OMB-01 CEA-02 L-03 H-03

PA-04 PRS-01 USIA-15 CIAE-00 COME-00 FRB-03 INR-11

NSAE-00 XMB-07 OPIC-12 LAB-06 SIL-01 AGR-20 TAR-02

INT-08 FEA-02 HEW-08 DRC-01 /204 W

----- 103741

R 211730Z SEP 74

FM AMEMBASSY BOGOTA

TO SECSTATE WASHDC PRIORITY 4936

INFO AMCONSUL CALI

AMCONSUL MEDELLIN

LIMITED OFFICIAL USE BOGOTA 8493

E.O. 11652: NA

GAGS: EFIN EMRG CO

SUBJECT: GOC ISSUES ADDITIONAL ECONOMIC DECREES

1. GOC ACTING UNDER EMERGENCY ECONOMIC POWERS ISSUED DECREE (LATE SEPT 20) SUBSTANTIALLY RAISING SALES TAX. AT SAME TIME, UTILIZING NON-EMERGENCY AUTHORITY IT REDUCED TAX CREDIT (CAT) PAID ON EXPORTS.

2. SALES TAX DRECREE ESTABLISHES THREE BASIC RATES OF 6, 15 AND 35 PERCENT. HIGHEST RATE APPLIES TO SUCH LUXURIES AS SILVER-WARE, FURS, PERFUME, JEWELRY, LIQUOR AND WINES, PHOTOGRAPHIC EQUIPMENT, AUTO MOBILES, SMALL AIRCRAFT, MOTORCYCLES AND RECREATIONAL WATERCRAFT, MEMBERSHIP FEES AND SERVICE CHARGES IN SOCIAL AND SPORTS CLUBS. THE 15 PERCENT RATE COVERS SUCH ITEMS AS CHEWING GUM AND CANDY, OLIVE OIL, GAS AND ELECTRIC STOVES, REFRIGERATORS AND FREEZERS, AIR CONDITIONERS, PARKING FEES, INTERNATIONAL TELEGRAMS AND TELEPHONE CALLS, INSURANCE PREIMUMS (EXCEPT LIFE), AND PRODUCTS WHICH ARE

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 BOGOTA 08493 211821Z

NEITHER EXEMPT NOR SPECIFICALLY SUBJECT TO ANOTHER RATE.

THE 6 PERCENT RATE APPLIES TO SUCH ITEMS AS SEWING MACHINES, SPARE PARTS FOR VEHICLES AIRCRAFT, AND BOATS, TEXTILES, CLOTHING AND FOOTWEAR, IMPORTS SUBJECT TO GLOBAL LICENSING, MESCELLANEOUS ELECTRICAL APPARATUS, MICROSCOPES, SURGICAL AND MEDICAL AND DENTAL APPARATUS, MEASURING AND CONTROL INSTRUMENTS, GLASS, PLANE OR BOAT TICKETS FOR INTERNATIONAL TRANSPORTATION, NATIONAL TELEPHONE AND TELEGRAPH SERVICE, REPAIR SERVICES AND OILS AND LUBRICANTS. (GASOLINE TAX CONTINUES AT 10 PERCENT). NUMEROUS ARTICLES EXEMPTED FROM TAX INCLUDE FOODSTUFFS NOT OTHERWISE TAXED, BOOKS AND PERIODICALS, DRUGS AND MEDICINES, EXPORTS, FUNGICIDES AND HERBICIDES, FARM MACHINERY, AVIATION GASOLINE AND MARINE DIESEL OIL, TAXIS, BUSES AND TRUCKS, TIRES AND RUBES, RAILROAD EQUIPMENT, AIRCRAFT FOR PUBLI TRANSPORT AND FUMIGATION. DECREE ALSO ESTABLISHES NEW AND COMPLEX REGULATIONS FOR ASSESSMENT AND COLLECTION OF TAX.

3. DECREE ON EXPORT TAX CREDIT IN ESSENCE REDUCED GENERALLY APPLICABLE 15 PERCENT RATE TO 7 PERCENT FOR AGRICULTURAL PRODUCTS AND 5 PERCENT FOR ALL OTHERS. TWO PERCENTAGE POINTS OF THE 7 PERCENT RATE GRANTED TO AGRICULTURAL ITEMS WILL BE RESERVED FOR COLOMBIAN AGRICULTURAL INSTITUTE (ICA) TO COVER COST OF TECHNICAL ASSISTANCE TO SMALL FARMERS AND RANCHERS. AGRICUTURAL PRODUCERS WILL THERE FORE IN FCT RECEIVE ONLY 5 PERCENT CREDIT. DECREE ALSO VIRTUALLY ELIMINATES CREDIT FOR A SUBSTANTIAL LIST OF ITEMS SUCH AS PRECIOUS STONES, SUGAR, AND PAPER BY REDUCING IT TO ONE PER THOUSAND.

4. ADDITIONAL DETAILS ON FOREGOIN WILL BE REPORTED SEPARATELY.

5. IN MEANTIME SUPRMEE COURT HAS RECEIVED FOR REIVEW DECREES ISSUED EARLIER UNDER EMERGENCY ECONOMIC POWERS: (A) DECLARATION OF STATE OF ECONOMIC EMERGENCY, (B) NATURAL GAS EXPLORATION, (C) IMPOSITION OF TAXES ON STATE-OWNED COMPANIES AND (D) ELIMINATION OF PUBLIC RELATIONS ACTIVITIES IN DECENTRALIZED AGENCIES.

6. COMMENT: THE MONTHS OF PLANNING AND PREPARATION ARE NOW CLEARLY OVER AND THE LOPEZ ECONOMIC TEAM HAS BEGUN TO MOVE FAST AND HARD TO BRING INFLATION UNDER CONTROL AND INCREASE REVENUES. DURING THE PREPARATORY PERIOD, LOPEZ ENJOYED GREAT POPULARITY AMONG THE HIGHER INCOME BRACKETS OF THE COUNTRY. BUSINESS AS USUAL APPEARED TO BE THE ORDER OF THE DAY AND BRAVE WORDS LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 BOGOTA 08493 211821Z

UNACCOMPANIED BY ACTIONS CONSITUTTED NO SURPRISE TO COLOMBIANS WHO HAD OBSERVED THAT PARTICULAR PHENOMENON MANY TIMES BEFORE. HOWEVER, THE MEASURES DESCRIBED ABOVE WHEN COUPLED WITH THE END OF TH WHEAT SUBSIDY AND THE APPARENT INEVITABILITY OF ADDITIONAL TAX MEASURES WILL HAVE A PROFOUND EFFECT ON THE UP-TO-NOW BROAD BUT UNFOCUSED AND ALMOST ABSENT-MINDED SUPPORT LOPEZ HAS ENJOYED.

VAKY

LIMITED OFFICIAL USE

NNN

## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** ECONOMIC CONDITIONS, LAW, ECONOMIC PROGRAMS, FINANCIAL CONTROLS, TAXES  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 21 SEP 1974  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** cunninfx  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1974BOGOTA08493  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
**Film Number:** D740266-0459  
**From:** BOGOTA  
**Handling Restrictions:** n/a  
**Image Path:**  
**ISecure:** 1  
**Legacy Key:** link1974/newtext/t19740925/aaaaaurl.tel  
**Line Count:** 115  
**Locator:** TEXT ON-LINE, ON MICROFILM  
**Office:** ACTION ARA  
**Original Classification:** LIMITED OFFICIAL USE  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 3  
**Previous Channel Indicators:** n/a  
**Previous Classification:** LIMITED OFFICIAL USE  
**Previous Handling Restrictions:** n/a  
**Reference:** n/a  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** cunninfx  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 11 SEP 2002  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <11 SEP 2002 by boyleja>; APPROVED <03 MAR 2003 by cunninfx>  
**Review Markings:**

Declassified/Released  
US Department of State  
EO Systematic Review  
30 JUN 2005

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** GOC ISSUES ADDITIONAL ECONOMIC DECREES  
**TAGS:** EFIN, ECON, CO  
**To:** STATE  
**Type:** TE  
**Markings:** Declassified/Released US Department of State EO Systematic Review 30 JUN 2005